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C O N F I D E N T I A L SECTION 01 OF 02 HONG KONG 002169

SIPDIS

DEPT FOR EAP/CM, AF/EPS

E.O. 12958: DECL: 11/25/2029

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SUBJECT: MACAU AS THE PRC'S BRIDGE TO LUSOPHONIA:
ASPIRATIONS VS. REALITY

HONG KONG 00002169 001.2 OF 002

Classified By: Acting Consul General Christopher Marut for
reasons 1.4(b) and (d).

¶1. (C) Summary: Both Macau and the PRC have sought to use Macau's ties to the Lusophone (Portuguese-speaking) world to boost trade for China and collateral business for Macau. While multilateral fora and trade missions have been held to considerable fanfare, the overall PRC-Lusophone trade volume is small, with the lion's share conducted directly between the PRC, Brazil and Angola. Macau has managed to gain the attention of its Lusophone brethren as a China entrepot, but realistically can only expect to serve as a bridge between second-tier (or lower) players on both sides. End Summary.

¶2. (C) We discussed Macau's role as China's platform to the Lusophone world with a range of public and private sector experts in Macau, including: Angolan Consul General Rodrigo Pedro Domingos, Portuguese Trade and Investment Commissioner Miguel Crespo, Macao Trade and Investment Promotion Institute (IPIM) President Lee Penghong, Forum for Economic and Trade Cooperation between China and the Portuguese-speaking Countries (the Forum) Director Rita Botelho dos Santos, International Lusophone Markets Business Association (ACIML) President Eduardo Ambrosio, and Inter-University Institute in Macau (IIUM) Vice-rector for Research and International Relations Ivo Carneiro de Sousa.

Macau as Middleman

¶3. (C) Shortly after Macau's return to Chinese rule, China began marketing Macau as a link or "platform" between the PRC and Portuguese-speaking countries. The PRC reasoned that Macau and the Lusophone countries shared common linguistic, cultural, historical, legal and institutional backgrounds, and these shared traits would facilitate China's entry into the Lusophone market. From Macau's standpoint, providing a service platform between PRC and the Lusophone countries would help diversify its economy away from its dependence on the gaming industry, offering business and job opportunities in trade-related services and professional fields. Additionally, our contacts believed Macau could play a role in winning Sao Tome and Principe -- the sole Lusophone country with relations with Taiwan -- over to the PRC, although they did not offer any concrete examples of what Macau had done to advance this goal.

14. (SBU) The PRC and the Macau SAR government (MSARG) set up the Forum on Economic and Trade Co-operation Between China and Portuguese-speaking Countries in 2003, to "build a framework of economic and trade cooperation and promote mutual development" between China and the Lusophone countries. Sponsored by the PRC Ministry of Commerce, the Forum is managed by the MSARG. The Forum's Permanent Secretariat, appointed by Beijing, is based in Macau, and the seven Lusophone countries maintaining diplomatic relations with the PRC may post permanent representatives in the SAR. Within the context of the Forum, China and the other member countries have signed official protocols to focus cooperation in the areas of mutual government interests, trade, investment and business, agriculture and fisheries, engineering and infrastructure, natural resources, and human resources.

Seeming Indifference

15. (C) However, our contacts reported the Forum has been plagued by a credibility crisis since its inception. Neither of the first two Secretaries General appointed by Beijing spoke Portuguese, and this decreased their effectiveness as Forum leaders. An internal power struggle between the Forum's two operating bodies, the Permanent Secretariat and the Support Cabinet, further hindered the Forum's productivity. Our contacts saw the 18-month gap between the March 2008 death of the second Secretary General and the appointment of his successor, along with the decision to postpone the 2009 triennial meeting until October 2010, as reflective of Beijing's indifference towards the Forum.

HONG KONG 00002169 002.2 OF 002

16. (C) China and the MSARG have organized a multitude of visits, conferences, and trade shows aimed at Lusophone markets. That said, the concrete value for Macau's service and support businesses is debatable. From January to October, there were more than 60 government visits between China and one of the Lusophone countries, but only six included a stopover in Macau.

17. (C) According to Forum representatives, the new Secretary General, Chang Hexi, is a "Portuguese expert" who speaks fluent Portuguese, has worked in Angola and Mozambique, and was most recently an Economic Counselor in Portugal. Crespo from the Portuguese Consulate was guardedly optimistic about the appointment of Mr. Chang, saying only "we will see if this guy can make a difference...because the Forum has become a sterile institution and has been stalled for the last 18 months." Crespo conceded that the Forum had the "potential to be useful" and listed some issues that Portugal would like to see addressed within the Forum, including the PRC's current embargo on Portuguese produce and ways to increase Portuguese investments in China.

Dealing Directly with Brazil and Angola

18. (C) According to MOFCOM data, trade between China and the eight Lusophone countries totaled USD77 billion in 2008, an increase of 66 percent over 2007's USD46 billion. On average, this trade has increased 50 percent a year since Macau returned to Chinese rule in 1999. Brazil and Angola dominate China's trade with Lusophone countries, together accounting for 96 percent of PRC's total trade with the Portuguese-speaking countries in 2008.

19. (C) Thus, despite China's claim that it views all Lusophone countries equally, our contacts believed the PRC was mainly focused on Brazil and Angola, and that it pursued those relationships largely through bilateral channels.

Increased cooperation with resource-rich and regionally influential Brazil, they believed, would also advance China's relationships with other Latin American countries. Similarly, oil-rich Angola, which provided 16 percent of China's oil consumption in 2008, was among one of the fastest growing countries in Africa.

¶10. (C) In the last few years the MSARG has organized several trade shows and conferences in Macau, Angola and Brazil. However, Angolan CG Domingos admitted that "the (PRC) businesses that have the capacity to go to Angola go directly -- they don't need to use a middleman." Similarly, Portugal's Crespo took Brazil's failure to post a permanent delegate to the Forum in Macau as indicative of the extent to which bilateral channels dominate the relationship.

Comment: Drop in the Bucket, Visible Splash?

¶11. (C) Taken as a whole, and even factoring in Brazil and Angola, Lusophone countries still represent only a small fraction of China's USD2 trillion total trade volume, hovering at around 1.5 to 2 percent for the past 10 years. With the major PRC-Brazil and PRC-Angola trade happening in bilateral channels, the market open to Macau would seem tiny at best. Nevertheless, the MSARG's aggressive promotional efforts seem to have created the perception that Macau can be a base for investment in and trade with China. Where Macau may ultimately find its niche is in providing contacts and expertise for small and medium-sized PRC and Lusophone businesses looking for partners. Only with substantial growth, however, will this sector translate into an additional economic pillar able to diminish Macau's currently absolute reliance on the gaming sector and to offer an alternative source of employment for Macau's small business and professional class.

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